

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO.
FRANKFORT ELECTRIC AND WATER PLANT) 2010-00485
BOARD)

COMMISSION STAFF'S INFORMATION REQUEST TO
THE FRANKFORT ELECTRIC AND WATER PLANT BOARD

Frankfort Electric and Water Plant Board ("Plant Board"), pursuant to 807 KAR 5:001, shall file with the Commission the original, and six copies, with a copy to all parties of record. The information requested herein is due on or before February 11, 2011. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Plant Board shall make timely amendments to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request

to which the Plant Board fails or refuses to furnish all or part of the requested information, the Plant Board shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Plant Board's responses to the December 17, 2010 Order, Item 6.

a. Provide a list of all water division employees employed during fiscal year ending June 30, 2009. For each employee listed, provide the following:

- (1) Name.
- (2) Title.
- (3) Length of employment with the Plant Board.
- (4) Test-period pay rate and current pay rate.
- (5) Test-period regular time worked and overtime worked.
- (6) Percentage of test-period payroll capitalized.
- (7) Total test period payroll expensed and capitalized.
- (8) Type of employee benefits (e.g., health insurance, dental insurance, vision insurance, and pension) and amounts paid for each by the Plant Board.

b. Provide a list of those employees whose salaries are allocated to the water division and that are classified as Administration, Information Technology, Human Resources, or Support Services. For each employee listed, provide the following:

- (1) Name.
- (2) Title.
- (3) Length of employment with the Plant Board.
- (4) Test-period pay rate and current pay rate.
- (5) Test-period regular time worked and overtime worked.
- (6) Percentage of test-period payroll capitalized.
- (7) Percentage of test-period payroll allocated to the water division.
- (8) Total test period payroll expensed, capitalized, and allocated to the water division.
- (9) Type of employee benefits (e.g., health insurance, dental insurance, vision insurance, and pension) and amounts paid for each by the Plant Board.

c. Identify any employees listed in the response to 1(a) for the fiscal year ending June 30, 2009 that are no longer employed by the Plant Board. State if the vacant position has been filled and provide the date the position was filled. If the position has not been filled, state when the Plant Board expects to hire a new employee or if the position will remain vacant.

d. Provide the information requested in 1(a) for any new water division employee identified in the response to 1(c).

e. Identify any employees listed in the response to 1(b) for the fiscal year ending June 30, 2009 that are no longer employed by the Plant Board. State if the vacant position has been filled and provide the date the position was filled. If the position has not been filled, state when the Plant Board expects to hire a new employee or if the position will remain vacant.

f. Provide the information requested in 1(b) for any new employee identified in the response to 1(e).

g. Provide a copy of the employee information requested in Items 1(a) through 1(f) on a computer disk in Microsoft Office Excel format.

h. Provide the employer retirement contribution rate(s) that were effective during calendar years 2007, 2008, and 2009, including the date the rate became effective.

i. If the employer retirement contribution rate will be changed in calendar year 2011, provide the rate and the date it will become effective.

2. Refer to the Plant Board's responses to the December 17, 2010 Order, Exhibit 1 of Item 2 at page 19 and Exhibit 1 of Item 22 at page 6.

a. In the audit for the fiscal year ending June 30, 2009, the Plant Board reported revenues from user fees of \$7,645,773, but the billing analysis calculates revenues for the present rates of \$7,681,589, which is a difference of \$35,816. Provide a detailed explanation for this difference.

b. Provide a breakdown of the \$7,645,773 in revenues from user fees using the customer classifications listed in the billing analysis.

c. In the audit for the fiscal year ending June 30, 2009, the Plant Board reported non-operating revenues of \$209,814,¹ but the billing analysis lists other revenues of \$249,762, which is a difference of \$39,948. Provide a detailed explanation for this difference.

d. Provide a breakdown of the \$249,762 in other revenues using the customer revenue classifications listed in the audit for the fiscal year ending June 30, 2009.

3. Refer to the Plant Board's responses to the December 17, 2010 Order, Exhibit 1 of Item 2 at page 21 and Exhibit 1 of Item 22 at pages 8-11.

a. The account titles and amounts do not correspond to the accounts and amounts listed for the water division for the fiscal year ending June 30, 2009. Reconcile the accounts and the amounts listed in the cost-of-service study and the audit for the fiscal year ending June 30, 2009 using the accounts listed in the audit.

b. In calculating its revenue requirement, the Plant Board uses an annual debt service of \$1,598,910 and allocates \$145,821 of this amount to the wholesale customers. Provide a detailed schedule showing how the Plant Board calculated its annual debt service and its proposed allocation to the wholesale customers.

¹ \$1,632 (Net Merchandise Sales) + \$1,960 (Rental Revenues) + \$37,989 (Interest Revenues) + \$165,140 (Other Non-Operating Revenues) + \$3,093 (Retirement Plan Net Loss) = \$209,814.

c. In calculating its revenue requirement, the Plant Board requests debt service coverage of \$17,500 and allocates \$1,596 of this amount to the wholesale customers. Provide a detailed schedule showing how the Plant Board calculated its requested debt service coverage and its proposed allocation to the wholesale customers.

d. List any adjustments the Plant Board has made to the revenue and expense amounts that are reported in its audit for fiscal year ending June 30, 2009 to arrive at the amounts shown in the cost-of-service study. Provide copies of all workpapers, assumptions, and calculations used by the Plant Board to calculate its adjustments.

4. Refer to the Plant Board's response to Exhibit 1 of Item 22 at page 11. The Plant Board has included taxes and payments in lieu of taxes in its cost-of-service study of \$45,134 and has allocated \$4,115 of these payments to its wholesale customers.

a. Provide documentation to show that the Plant Board is required to make the payments in lieu of taxes to the City of Frankfort.

b. Provide documentation to show that the Plant Board is required to make the payments in lieu of taxes to Franklin County.

c. Provide documentation to show that the payments made to Franklin County or the City of Frankfort provide a benefit to the Plant Board's wholesale customers.

5. a. Provide a schedule detailing all test-period expenditures related to the application filed in this current proceeding. Provide in the schedule the nature and

amounts of all charges along with a copy of vendor invoices. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

b. Provide the anticipated total cost of the case upon completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

c. Provide a monthly update of the schedule requested in 10(a) showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in 5(a).

d. Identify the amount of rate case expense that is included in the cost-of-service study and identify the account where it is recorded.

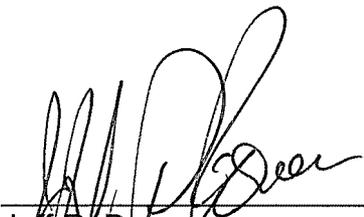
6. In past rate case proceedings, there have been concerns regarding expenses associated with distribution lines 10 inches and smaller being allocated to the wholesale customers. State whether or not expenses for lines smaller than 10 inches in diameter are included in the costs allocated to the wholesale customer. If some or all of the cost of lines smaller than 10 inches in diameter are allocated to the wholesale customers, explain why costs associated with these smaller distribution lines that serve retail customers should be allocated to wholesale customers.

7. Refer to the data listed under the heading Transmission & Distribution in the cost-of-service study at page 1 of schedule B. For each of the following expenses, provide in detail the components and the allocation of each itemized expense, including a detailed breakdown of each expense.

- a. Water Distribution Expenses – Mains
- b. Water Distribution Expenses – Meters
- c. Water Distribution Expenses – Services
- d. Water Distribution Payroll – Mains
- e. Water Distribution Payroll – Meters
- f. Water Distribution Payroll – Services

8. Provide an electronic copy of the cost-of-service study and billing analysis in Microsoft Excel or Lotus 1-2-3 format. Make sure that all formulas and calculations are included in the spreadsheet so as to verify how each number and dollar amount are calculated and allocated.

9. Schedule F of the cost-of-service study indicates that water consumption for wholesale customers, non-water producers, was 729,330,000 during the test period. In Item 20 to the Plant Board's response to the Commission's Order of December 17, 2010, consumption for wholesale customers, non-water producers, was 729,666,606. Explain this discrepancy.



Jeff R. Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: JAN 28 2011

cc: Parties of Record

Honorable Thomas A Marshall
Attorney At Law
212 Washington Street
P.O. Box 223
Frankfort, KY 40601

Honorable Donald T Prather
Mathis, Riggs & Prather, P.S.C.
500 Main Street, Suite 5
Shelbyville, KY 40065

Honorable Hance Price
Attorney at Law
Frankfort Electric & Water Plant Board
317 W. Second Street
P. O. Box 308
Frankfort, KY 40602